

Message Text

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PAGE 01 BEIRUT 09815 201244Z

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USIA-15 EB-11 COME-00 INT-08 SCEM-02 OMB-01 TRSE-00

RSR-01 /129 W

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R 201057Z AUG 73

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 3812

INFO AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USINT CAIRO

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EO 11652 N/A

TAGS: ENRG, PFOR, XF, SA, US

SUBJECT: SAUJL OFFICIALS ON OIL WEAPON, BUY-BACK PRICES

SUMMARY: IN SEPARATE PRESS INTERVIEWS, MIDDLE-RANK
SAUDI OFFICIALS HAVE ILLED FOR CAREFUL CONSIDERATION
OF USE OF OIL WEAPON AND FOR EARLY INCREASE IN PARTICI-
PATION BUY-BACK PRICES. END SUMMARY.

1. AUG 17 MIDDLE EAST ECONOMIC SURVEY (MEES) CONTAINS
STATEMENTS OF POSSIBLE INTEREST BY TWO SAUDI ARABIAN
GOVERNMENT OFFICIALS.

2. ARAB OIL AS A WEAPON: IN MEES EXTRACT OF INTERVIEW
IN BEIRUT WEEKLY AL-HAWADITH OF AUG 17, PRINCE ABD ALLAH
IBN ABD AZIZ, SAUDI NATIONAL GUARD COMMANDER WHO RECENTLY
VISITED FRANCE AND THE UK, SAID ARABS SHOULD AT
HIGHEST LEVELS FORMULATE A PRAGMATIC ARAB OIL POLICY
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PAGE 02 BEIRUT 09815 201244Z

"WHOSE AIM SHOULD BE TO CONSOLIDATE RELATIONS BETWEEN

DEPENDS AND TO ISOLATE ENEMIES." HE CAUTIONED AGAINST PREMATURE OR EMOTIONAL USE OF OIL AS POLITICAL WEAPON, SAYING "WORLD ZIONISM" IS AIMING TO SHORT CIRCUIT THE OIL WEAPONS BY URGING US TO USE IT PREMATURELY AND IN THE WRONG PLACE, ESPECIALLY SINCE WESTERN EUROPE IS THE MAIN CUSTOMER FOR ARAB OIL." HE SAW CONSIDERABLE POTENTIAL FOR CLOSER ARAB-EUROPEAN TIES, PARTICULARLY "IF THE WINDS OF US POLICY CONTINUE TO FILL THE SAILS OF ISRAEL, AS THEY DO TODAY." DURING HIS RECENT EUROPEAN VISIT, HE SAID, HE NOTICED A SHIFT IN OFFICIAL AND POPULAR EUROPEAN OPINION TOWARD THE ARAB CAUSE ACCOMPANIED BY GROWING DOUBTS ABOUT ISRAEL'S INTENTIONS, ANOTHER REASON FOR CAREFUL CONSIDERATION OF THE USE OF THE OIL WEAPON.

3. IN EXCLUSIVE MEES INTERVIEW, MUHAMMAD JOUKHDAR, CHIEF OF DEPARTMENT OF PETROLEUM AND ECONOMICS IN SAUDI FONMIN, SAID GULF GOVERNMENTS SHOULD TAKE IMMEDIATE STEPS TO RENEGOTIATE UPWARDS PARTICIPATION BUY-BACK PRICES WITH CONCESSIONAIRES SINCE THEY NOW CONSIDERABLY BELOW MARKET PRICES. CITING SAUDI LIGHT AS EXAMPLE, HE SAID BRIDING PRICE IS NOW 50 CENTS BELOW MARKET WHILE PHASE-IN PRICE IS 63 CENTS BELOW. THIS IS PERMITTING WINDFALL PROFITS TO COMPANIES AT EXPENSE OF HOST GOVERNMENTS AND FAVORS MAJORS AGAINST INDEPENDENTS, THUS BODING ILL FOR PRODUCER NATIONAL OIL COMPANIES WITH DOWNSTREAM AMBITIONS.
BUFFUM

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